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28 October 1980

Korean Affairs Report

(FOUO 10/80)



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KOREAN AFFAIRS REPORT

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S. KOREA/POLITICS AND GOVERNMENT

NAM TELLS FUKUDA ROK IS ON WAY TO DEMOCRACY

Tokyo ASAHI EVENING NEWS in English 25 Sep 80 p 1

[Article by Shunichi Murase]

[Text]

SEOUL—The democratization of the Republic of Korea will be conducted "in a silent manner," Prime Minister Nam Duck Woo said Wednesday.

In a meeting with visiting former Japanese Prime Minister Takeo Fukuda, Nam said that democracy was established in Britain and France only after many setbacks and that Japan and West Germany had become democracies only after World War II. Given the history of other democratic countries, South Korea has to be realistic about establishing democracy, he said.

The Korean people are responsible for their own affairs, and Japanese newspapers do not understand the difficulties facing South Korea, he remarked. "We will determine our future course on our own judgment and (democratization) should be conducted in a silent manner. There is no other alternative."

Discussing Seoul's political schedule, Nam said that the revision of the Constitution is among the important problems that have to be settled before democratization. But, he said, priority should be given to educating the people about democracy. President Chun Doo Hwan has promised a peaceful change of government in the future, and the country is now moving towards this, he declared.

In the course of the one-hour discussion, neither Nam nor Fukuda referred to Kim Dae Jung, the Opposition politician who has been sentenced to death in a military court.

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S. KOREA/POLITICS AND GOVERNMENT

'ASAHI' VIEWS CURRENT ROK POLITICAL, ECONOMIC SITUATION

Tokyo ASAHI SHIMBUN in Japanese Aug 80

[Article: "Where Is Korea Headed?"]

[28 Aug 80 p 1]

[Text] Worries About Economic Competitiveness

Chon Tu-hwan became the new ROK president on the 27th in accordance with the provisions of the Yusin Constitution. A ban on private "cram" schools and tutors which he had instituted when he was chairman of the Standing Committee of the Special Committee for National Security Measures as part of his "social purification" campaign caused a tremendous reaction among the people. This is because the special private schools and tutors which had become such an established part of Korean society were outlawed, and parents who violated the ruling, whether government officials or private citizens, would be relieved of their jobs and their names published in the newspaper.

Great "Rectification Campaign"

The ROK has been just as zealous about education as Japan. Especially strong is the "first-class orientation," the idea that "one must graduate from a first-class university and enter a first-class company." This has led to a number of "overheated education" phenomena. The following case of one mother was reported by the TONGA ILLBO.

A 45-year-old mother did everything possible to get her oldest son (18), a high school senior, into a first-rate university. She hired a separate tutor for each of three subjects, Korean language, English, and mathematics, at a cost of 250,000 won (1 won is 0.4 yen) a month per subject. She put him under group instruction for social studies and science, at a combined cost of 120,000 won a month. In addition to this, the private school expenses for her second son (14), a third-year junior high school student, were 250,000 won monthly and tutorial expenses for her third

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son (12), a sixth grader, were 150,000 won. The total was an outrageous 1.27 million won (about 508,000 yen) for private schools and tutors for all her sons each month.

These sorts of conditions have brought about many distortions in school education. Parents charge that, "Teachers teach half-heartedly in school and then take on three or four tutorial positions. They make the rounds of the students' houses with a car and driver and rake in the money."

Only a few of the very rich, however, are able to hire expensive tutors for their children. This results in a very serious gap between social classes and leads to the criticism, "Only the children of the rich can get into Seoul University," and "Nowadays, it's a contest of money, not brains."

The "social purification" movement led by Chon Tu-hwan has become a major "rectification campaign" for Korean society. Under slogans of "Cut out the roots of social evil!" and "Create a just society!", about 30,500 "hooligans" and "gangsters" have been rounded up.

Of these, some 19,000 have been sent to the army for "re-education." They rise at 0600, sweat through manual labor and military drills all day, and at 2000 each evening write a "self-examination," meditating on their past misdeeds. Bedtime is at 2200. They can return to society after two to four weeks of this training if a reform is recognized. If, however, their repentance is judged insufficient, they must serve another three to six months of labor.

President Pak Chong-hui carried out a similar "Exposure of Social Evil" after the "16 May Military Revolution" in 1961. 15,800 hooligans were rounded up at that time. This means that, in numbers, Chon Tu-hwan's campaign is more extensive.

Secret Informing Encouraged With Rewards

The ROK media are praising this series of social purification campaigns as accomplishing what "no administration has ever been able to touch" and policy execution that cuts straight through the problems." Day after day the advertising sections of all newspapers carry "declarations" and "resolutions" from social and economic organizations saying "We support Chon Tu-hwan as president." These statements were couched in language of the highest praise: "the leader who handled the crisis," "a great man," "a leader with firm and unshakable dreams and plans."

However, behind the spectacular unfolding of the "social purification" campaign, a strange trend of "denunciations and reports" has developed. This tendency has become much stronger since the Special Committee for National Security Measures started accepting denunciations of social corruption, setting up special centers at police stations and municipal

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offices to receive citizens' complaints, and offering rewards even to bus and taxi drivers for informing. The wife of Reverend Mun Ik-hwan, now being tried in a military tribunal along with Kim Tae-chung, former presidential candidate of the New Democratic Party, on suspicion of such crimes as conspiracy to incite rebellion, was reportedly informed on at a nearby police station after talking to a friend about the trial in a taxi. The ROK is truly becoming a "society of suspicion," "a society where everyone watches everyone else."

Forced Industrial Unification

The drastic policies of Chon Tu-hwan are also affecting the economy. This is true of the policy of reorganization and unification of heavy and chemical industry announced on the 20th by the Special Committee for National Security Measures. According to the announcement, in the auto industry, Hyundai Motors will absorb Saehan Motors and become the sole manufacturer of passenger cars. Kia Industries is to have charge of manufacturing trucks under 5 tons. Also, in power generation and construction equipment, Daewoo is to merge with and absorb the Hyundai Company of the Hyundai Group. The purpose is purportedly to eliminate excessive equipment and inefficiency.

With this start, the ROK government plans to go ahead with the reorganization of other industries. In addition to the problems of forcefully unifying the large financial combines of Korea which are held together by ties of blood and locale, there is also the fear that international competitiveness may be gradually weakened by limiting free competition through the monopolistic system of "one company per industry."

Many observers feel that the Korean economy has reached the semi-advanced stage. And just as many have misgivings about the ability of a simplistic military approach to overcome a serious economic crisis under today's more complicated economic conditions.

ROK economic growth for the first half of this year was a minus 4 percent. The drop in manufacturing business was especially great and there is no sign of reduction in the 800,000 persons who were unemployed in March of this year. At the same time, prices continue to rise. From the beginning of this year wholesale prices have risen 28.3 percent and consumer prices 19.2 percent, a continuously high rate.

In the international balance of payments, there has been no large increase in exports, and the current deficit through the end of July had reached 2.1 billion dollars. To repay foreign debts in addition to recovering the deficit, an infusion of 6 billion dollars in foreign investment would be required this year alone.

A Japanese expert on the ROK economy has pointed out one serious weakness of Chon Tu-hwan's regime under these conditions. "In Japanese society, the interests of many pressure groups come into conflict and a consensus

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is formed between them. Therefore, government policy is not likely to go too far wrong. In contrast to this, under a "military regime, although success is sometimes achieved by acting decisively under good advice, failure can occur from acting with excessive coercion."

Fearful Approach to Students

If economic problems are the greatest weakness of the Chon Tu-hwan regime, the second is the desire of the people for freedom. Chon Tu-hwan's greatest fear is of student movements. At the National Conference of University Presidents and School Principals, he took the hard line that "We will control them by force, even if there are some victims." The desire for freedom and democracy, however, is not limited only to students and dissident intellectuals. Following the killing of President Pak last October, there was a tremendous movement toward democratization of Korean society for a time and the desire of the common people for freedom was at the root of it. How will the Chon Tu-hwan regime handle this?

The common people of the ROK, reportedly are not saying much about Chon Tu-hwan. Right now they are watching and waiting to see how long he will continue the exposure of unjust accumulation of wealth, the ban on private schools and tutors, and the "gangster" hunt. If Chon Tu-hwan earns a reputation for clean government he may obtain the support of the people. If he can protect the livelihood of the people with his economic policies, the way may be open for stable government. How will Chon Tu-hwan proceed from here on out? The ability of Chon Tu-hwan, the politician, is about to be tested.

[30 Aug 80 p 1]

[Text] Retreat of Democracy and Human Rights

America is one country that is watching the emergence of President Chon Tu-hwan with mixed feelings.

Clearer Than Before

The United States and the ROK are bound together by the special common experience of the Korean War. To successive American administrations, the ROK has been "a fortress against communism" in the Far East. The guarantee of security for the ROK against the threat of the Democratic People's Republic of Korea (North Korea) has been an unchanging pillar of America's policies toward Korea. It is not surprising that, along with this, America expected a democratization of Korean society to create conditions necessary for continuing international support for the promise (commitment) made in the U.S.-ROK Mutual Assistance Pact. The Carter administration, which appeared on the scene with its "human rights

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diplomacy" and a plan to withdraw the American troops stationed in South Korea, made the demand for democratization more clearly than any previous administration. In the policy of this administration toward Korea, "security" and "democracy" are both held to be "indispensable and important constituent elements" (State Department spokesman). However, the 10 months between the assassination of President Pak Chong-hui and the emergence of Chon, the present president, have exposed the fact that whatever the public stance might be, the true concern leans more toward "security" than toward "democracy and human rights."

Changes in the International Situation

Last October, when the long 18-year regime of President Pak "disintegrated" with the assassination of the president by KCIA director Kim Chae-kyu, the United States clearly hoped for acceleration of a movement toward "democratic government with a broader base of support" rather than a dictatorship.

However, this was always based on the premise that nothing should happen that would invite "aggression from the North." In other words, a judgment must have been made that if the post-Pak era meant a long confused period of conflict between the forces of the various political parties, a stable government with a strong leader who could control the army would be unavoidable even if democratization came to a standstill.

For some time before the assassination of President Pak, the Carter administration's initial idealistic Korean policy clearly became less idealistic. The plan to withdraw American ground troops stationed in Korea was made in accordance with the change in atmosphere brought about by East-West detente, or to focus on the Far East, the progress from rapprochement to normalization of relations between the U.S. and China and from normalization of relations between China and Japan to conclusion of a peace and friendship treaty. The plan was frustrated by the protests of the Pak government, the opposition of Japan, and the resistance of the military and Congress in the U.S. The freezing of the withdrawal plan was finalized immediately after summit talks between the U.S. and the ROK in July of last year. The deciding factor was an analysis of information showing that the military strength of North Korea was much greater than previous estimates in many categories.

The slogan "human rights diplomacy" inevitably suffered a setback. When America lost an important military base in the Middle East because of the Iranian revolution, criticism surfaced within the country that "human rights diplomacy" had triggered the fall of the Shah. When the American hostages were taken in the U.S. Embassy in Iran not quite 10 days after the assassination of President Pak, there was a sudden upsurge of feeling of a total loss when, in spite of waving the banner of "human rights," an anti-American government emerged after the fall of the pro-American dictator.

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Reaffirmation of anti-communist ideology. Strengthening of national defense and the restoration of American prestige. A return to a foreign policy based on power. The foundations of a conservative trend combined with the untimely emergence of a presidential election year have undeniably amplified the voices shouting these slogans. Now the candidates of both the Democratic and Republican parties, both Carter and Reagan, are vying with each other in calling for "peace through strength," but this seems identical to the theory behind the emergence of President Chon Tu-hwan.

The young military leaders like Chon Tu-hwan arose as though linked in their movements with changes in the internal atmosphere of the United States. If there were elements of a tug of war or contest of strength between the Carter administration and Chon and his associates during the developments from the "military purge" coup d'etat of last December to the establishment of the present Chon government, the outcome is now obvious to anyone.

Superiority of the North Continues

The Carter administration immediately expressed a critical view of the emergence of the Korean military. In order to nurture the "buds of democracy" that seemed to have been developing right after the assassination incident, the Carter administration intimated its position in a way that made it seem that it would not back away from a total re-evaluation of its Korea policy. It made repeated declarations of concern about suppression of opposition factions such as Kim Tae-chung, presidential candidate of the New Democratic Party, and attempted to restrain the restoration of an actual military government. Nevertheless, Chon Tu-hwan took the army, the news media, and peace-keeping into his own hands and steadily expanded his power. The country was placed under martial law and the minimal public pledge of democratization put out by the previous Choe administration was made into a scrap of paper. He moved boldly as if the opinion of the United States were of no concern. Even so, it would probably be harsh to jump to the conclusion that the American demand for democratization was just a pose. President Carter's despair and irritation were shown clearly at the top-level U.S.-Japan talks in May when he pointed at Chon Tu-hwan and declared, "[Taking all power into your own hands is] going too far."

In actuality, the U.S. and the ROK have a common awareness that North Korea will continue to have military superiority in the Korean peninsula for the next two or three years. "Even if the demand for democratization is sincere, the United States is not prepared, for that reason, to sacrifice the security and economic development of the ROK (U.S. Congressional source). Inside the American Government, there is a recognition that democratization is an issue for Korea, but security is an issue involving Japan, and the entire northeast Asia region. In short, the U.S., being aware of the situation, cannot tamper with the basic

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U.S.-Korea security arrangement, and for the sake of military balance between North and South the U.S. cannot, for the present, cut off military aid to South Korea or renew plans for withdrawal of American troops stationed there.

As was pointed out in the third report, Chon was well aware that all U.S. pronouncements of "displeasure," "apprehension," or "concern" would not be accompanied by any decisive action affecting Korean security.

Not only that, but the criticism of a "military government" and demands for "a government with wider base of support," repeated on many occasions, were made to balance accounts by having Chon resign and prove his popularity by means of an "election." In the first part of August, the statement of General Wickham, commander of the American forces in South Korea, of "total support of the president" was played up in the ROK media and had the effect of clearing away the mist of suspicion from the entire regime. There was the view that he "wasn't speaking his true feelings," but where of the opinion of the military authorities carries more weight than diplomatic sources, the U.S. Army was the authority which confirmed the "true feeling" of the U.S. to South Korea and it was specifically stated within the U.S. as well that "the statement is the true feeling of the military" (U.S. Congressional source).

Signs of Change

Within the U.S. Government, it is said that "There is a basic limit to the ability of the United States to influence South Korea and on this point, we had no illusions." However, a sense of impotence cannot be disguised. At this juncture, it seems that the United States is attempting to reevaluate U.S.-ROK relations for the long term by "keeping a certain distance from the Chon Tu-hwan government while continuing to hope for the progress and democratization, of South Korea" (U.S. government source). "In the end, all we can do is continue with patient persuasion."

Obviously, at present, the U.S. demand for "democratization" is not producing short-term results. "However, the Chon regime should not be indifferent to a continuing distant relationship between the governments leading to estrangement of the people and the Congress from South Korea" (same source). Just recently, a U.S. Congressman visited North Korea for the first time since the Korean War. Circumstances are not such that this will soon lead to a major trend. However, the time may not be far distant when the elements of the basic U.S. policy toward Korea come to be weighted differently.

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[31 Aug 80 p 1]

[Text] The Demands Are Just A Pose

What about another country closely related to Korea--Japan?

To look at the statements of government officials, the attitude is caution and more caution. On the 27th when President Chon Tu-hwan was elected, Prime Minister Suzuki was asked about democratization and the involvement of Kim Tae-chung. All he said was, "We'll have to watch what happens." When he was asked about the trial of Kim Tae-chung scheduled for 14 September, he said this sort of thing: "Japan-ROK relations are very important so I would like to refrain from making a statement, as the highest authority, about the trial of Kim Tae-chung. It's for the Chief Cabinet Secretary and the Foreign Minister to do it. Since it could affect..."

Searching for New Links

In the meantime, conservative political and business leaders are searching for ways to cope with the new situation. A particular problem is that previous political connections have been virtually cut off by Chon Tu-hwan's seizure of power. This is because the powerful people who served as contacts between Japan and the ROK, such as former Prime Minister Kim Chong-pil who was chairman of the ROK-Japan Parliamentary Union and former Foreign Minister Yi-Pyong-hui who was secretary general of the Union, have fallen from power because of "unjust accumulation of wealth."

The general view of the Chon Tu-hwan regime among economic circles is that, "If the government is not stable, the economy will not be stable." At the same time, as a practical matter, there is an intense atmosphere of watching developing patterns.

The ROK campaign to eliminate "injustice" is mainly concentrated on the government and bureaucracy and the axe has not fallen very heavily on the preferentially treated business and financial sectors, and the blow to connections with Japan in these areas has not been as great as in the political sphere. However, the position of Japanese trading companies seems to be changing along with political changes. As the new regime's unification and reorganization of heavy and chemical industries becomes a reality an effect cannot be avoided.

Under these circumstances, the pro-ROK Diet members, who have been watching developments since the assassination of President Pak Chong-hui last October, have begun to move actively as power has become concentrated in the hands of Chon Tu-hwan. As August began, a succession of Diet members conferred with Chon Tu-hwan. First were Upper House Members Shinya Tozuka and Tomoharu Tazawa of the Liberal Democratic Party [LDP] and

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then, also of the LDP, Shin Kanemaru, former director general of the Defense Agency, and Noboru Minowa, and finally, Ikko Kasuga (Democratic Socialist Party) and Hiroomi Nakamura (LDP), the acting president and secretary general of the Japan-ROK Parliamentary Union. Then on 1 September, Nobusuke Kishi and Shun Hasegawa, the chairman and secretary general of the Japan-ROK Cooperation Committee, plus Kasuga and Nomura of the Japan-ROK Parliamentary Union attended the presidential inauguration ceremony. It seems they have begun working all at once to open up new links of communication.

Commensurate with this, they have begun shouting support for the Chon Tu-hwan regime. "We must back up Chon Tu-hwan as he strives as best he can to coordinate the conflicting requirements of national security and the welfare of the people. Japan may be accused of collaborating too closely with the ROK, but we must march ahead to protect freedom and democracy" (Kasuga).

It is, however, troubling to consider that the establishment of new routes of communication may lead to a new system of concessions. Of course, the leaders of the pro-ROK group protest that this is a "foolish suspicion" but heretofore there have been too many rumors that have not been cleared up. On the Korean side as well, it is doubtful how successfully the new regime can eliminate injustice and corruption and whether it can reform ROK politics where political contributions and election funds are used in large amounts.

'Emissaries from the Other Side'

The Korean side is making similar moves to establish new lines of communication. People close to Chon Tu-hwan, such as Chong Il-kwon, ROK-Japan Parliamentary Union chairman and Yi Tong-won, former foreign minister, have visited Japan and made numerous contacts with political and financial leaders. It seems that the Koreans were left not knowing "which button to push" with the sudden emergence of the Suzuki cabinet in July.

Chong Il-kwan has made several visits to Japan desiring to confer with Prime Minister Suzuki but so far has gotten no further than a meeting with Foreign Minister Ito. The government has not been entirely able to determine to what extent these successive "emissaries" convey the intentions of Chon Tu-hwan, and the meeting between Chong Il-kwan and Prime Minister Suzuki is said to have been put off by the Foreign Ministry. While keeping an eye on these developments in political and financial circles, what sort of approach does the government intend to take? Briefly, it is to maintain the previous relationship of Japan and the ROK and watch the direction taken by the Chong Tu-hwan regime. Breaking it down, the government says it will continue economic and other practical relationships, and as to the Kim Tae-chung problem, it claims to be

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extremely concerned about the personal safety of Kim Tae-chung. The Foreign Ministry emphasizes that "there is no change from the past."

Official Stance and True Intent

In spite of its intention of a "correct relationship," the government position appears opposite in the eyes of the people. Its attitude to the Chon Tu-hwan regime can easily be perceived as a diplomacy of manipulation of the difference between official stance and true intent. While taking a pose of making demands of the ROK in the Kim Tae-chung matter, behind the scenes, the government is building up real support for the Chon Tu-hwan regime through yen loans and other means.

From this point of view, Japan's holding back on the early convocation of the regular Japan-ROK ministerial conference and the "declaration of concern" over Kim Tae-chung are political poses. Chon Tu-hwan's regime was given actual support by the 1.1 billion dollar pledge of the import promotion mission sent to the ROK by MITI and the ready determination of 19 billion yen as the actual amount of the yen loans to Korea in the next fiscal year. Yen loan amounts for past fiscal years were 24 billion yen in fiscal year 1978 and 21 billion yen in 1979, and they were reduced for 1980 to 19 billion yen. This year, consideration was given to keeping the amount at about the same level.

In spite of the desire for "correct diplomacy," doubts are raised because of the buildup of suspicion toward positions previously taken toward the ROK by the government. Regarding the Kim Tae-chung abduction in 1973, the government set aside the problems of Kim Tae-chung's rights and the violation of Japanese sovereignty and sought a "political solution." One condition agreed upon is that "political solution" was the provision that "Kim Tae-chung not be held responsible for words and acts which occurred overseas." The problem of this being violated has arisen in the present indictment of Kim Tae-chung.

However, the government stresses that "Overseas words and acts are being used as a background explanation, not the charge," and is taking the attitude that "The question of rights is to be interpreted by the ROK government and all we can do is trust them" In this, there is no attempt to actively resolve the question.

Japan's accommodation stands out because of the straightforward approach taken by the United States and Europe to the problems of ROK democracy and Kim Tae-chung. Foreign Ministry officials say, "There is a 34-year history of colonial administration of Korea by Japan, and as long as there is a basis for volatile resentment surfacing against Japan in Korea, we must be very cautious in our approach and statements. Our response cannot help but differ from that of the United States which has ground troops stationed in the ROK and is far away geographically."

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"We have said what is necessary about the Kim Tae-chung affair to the ROK authorities. We just haven't made it public." This "keep it quiet" philosophy, based on the assumption of conditions conducive to the easy flareup of anti-Japanese sentiment is rampant in the Foreign Ministry. This approach prevents mutual understanding by the people of both countries and gives rise to the suspicion that "maybe the government desires the execution of Kim Tae-chung."

Developments Bear Close Watching

In Japan, there is a strong desire for the release of Kim Tae-chung and the democratization of South Korea. On the other hand, the movement for "support of the Chon Tu-hwan regime" by the pro-ROK group of politicians is becoming more visible. Although the government has emphasized Japan's role as "a member of the freedom camp," it is inevitably expected to increase the level of its support of the Chon Tu-hwan regime from here on out.

Nevertheless, the outcome of the trial of Kim Tae-chung, where a harsh decision is expected early in September, holds implications that may frustrate those intentions of the government. Even without touching on the "political solution," if the death penalty is handed down, anti-ROK sentiment will invariably be stirred up in Japan.

Japan and the ROK are closely related, separated only by a "stretch of water thin as a single garment." Neither can move away from the other, so the future action of the Chon Tu-hwan regime is a serious issue for both countries. We should watch closely to see where the ROK will head.

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S. KOREA/FOREIGN TRADE

JAPANESE BANKING QUARTERS BEGIN CONSIDERING NEW LOANS TO ROK

Tokyo THE JAPAN ECONOMIC JOURNAL in English 14 Oct 80 p 5

[Text]

A seeming return of political stability to South Korea under President Chun Doo Hwan is prompting the international banking industry to resume providing the country with medium- and long-term syndicated loans.

A banking source in Tokyo disclosed last week that a \$6 billion loan is being arranged for the governmental Korea Development Bank by Bankers Trust, Chase Manhattan and other leading U.S. banks. The loan, expected to be signed early in November, will be syndicated by some 20 U.S., Japanese (Bank of Tokyo, Fuji and others) and European banks.

The terms of the loan are likely to be an interest rate 0.875-1 percentage point over the London interbank offered rate and a period of eight years.

South Korea appears likely to obtain several other loans by the year-end - including a total of \$200 million for four com-

mercial banks, Hanil Bank, Seoul Trust Bank, Korea First Bank and The Cho-heung Bank and \$10 million for Korea Electric Power.

International bankers are keeping their eyes on South Korea's potential to return to high economic growth, if only political stability is restored. In the decade prior to the first oil crisis in 1973-4, growth averaged an annual 10 per cent plus.

South Korea, for its part, is eager to borrow from abroad to quickly rebuild the economy which has been slumping due to political disturbances and other factors. It therefore is beginning to acquiesce in rather unfavorable terms of loans, bankers say.

The Japanese Ministry of Finance and the Bank of Japan show a neutral stance on banks' moves, saying whether to go ahead with loans for South Korea is basically a matter to be decided by banks.

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